

FLAGSTONE

FINANCIAL ADVISORS, INC.

MARKET REVIEW FIRST QUARTER 2020

What Happened:

In January, we watched Covid-19 devastate China, but its seriousness was hard to grasp. The virus was far away, it was new, and we didn't fully understand its nature and potential. Until Covid-19 arrived at our doorstep, uninvited and unwelcome, it was someone else's problem. Suddenly, it became everyone's problem. Fear and panic set in, undercutting the market and throwing our economy into a tailspin.

In times of crisis, Americans rally in remarkable ways. It is impossible to know exactly how this situation will play out, but we are impressed with the attitude of "never give in—all hands on deck." The medical community's brightest minds are pursuing treatments and vaccines to fight the virus. The government passed stimulus measures to provide economic relief to businesses and to put money in taxpayers' pockets. Social distancing precautions were imposed to slow the spread of the virus. These may seem like wartime measures, but they are necessary.

In the meantime, we at Flagstone are charged with the important task of helping our clients keep emotions in check during this difficult period. We are confident that our disciplined investment approach will protect our clients' portfolios from the full brunt of the market downturn. In the midst of the chaos, it is hard to imagine a recovery, but it will come. And, because the market is forward-looking, the recovery will begin before anyone realizes it. Our clients' portfolios are poised and ready for it.

First Quarter 2020 Performance:

S&P 500 Index (large stocks)	-19.6%
Russell 2000 Index (small stocks)	-30.6%
MSCI EAFE Index (international stocks)	-22.8%
Barclays U.S. Aggregate Bond Index (bonds)	3.2%

Prognosis:

Being optimists at heart, we know that there will be an end to Covid-19. However, the aftereffects of Covid-19 will change our way of life. It is hard to imagine when people will feel comfortable again getting on an airplane or sitting in a crowded ballpark.

Nonetheless, opportunities are born of crises. Businesses and entrepreneurs will find ways to adapt to the new paradigm. They will develop new products and services in this changed world. New drugs and medical protocols will come about. Many things will be better than ever. Patience is key.

Stay safe. We will get through this.

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